

Financial Statements

Crittenton Women's Union, Inc.

June 30, 2011 and 2010



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

CRITTENTON WOMEN'S UNION, INC.

Financial Statements

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Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

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Independent Auditors' Report

Board of Directors
Crittenton Women's Union, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of Crittenton Women's Union, Inc. ("CWU") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of CWU's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crittenton Women's Union, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

November 14, 2011
Boston, Massachusetts

CRITTENTON WOMEN'S UNION, INC.

Statements of Financial Position

Assets	<i>June 30,</i>	
	<i>2011</i>	<i>2010</i>
Cash:		
Cash and cash equivalents	\$ 1,886,665	\$ 1,144,001
Restricted cash	<u>57,000</u>	<u>171,000</u>
Total cash and cash equivalents	1,943,665	1,315,001
Contracts, contributions and grants receivable, net of allowance for doubtful accounts of approximately \$60,000	1,075,179	956,903
Investments	4,816,033	4,680,178
Prepaid expenses and other assets	110,487	39,999
Property, plant and equipment, net	<u>4,178,085</u>	<u>4,366,282</u>
Total assets	<u>\$ 12,123,449</u>	<u>\$ 11,358,363</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 189,976	\$ 190,144
Accrued expenses	607,805	581,101
Flex fund advances	647,894	98,446
Note payable	<u>-</u>	<u>462,487</u>
Total liabilities	<u>1,445,675</u>	<u>1,332,178</u>
Net assets:		
Unrestricted:		
Undesignated	2,764,392	2,468,254
Board designated	3,002,566	3,036,717
Board designated - innovation	<u>693,144</u>	<u>390,580</u>
Total unrestricted net assets	6,460,102	5,895,551
Temporarily restricted	2,934,723	2,847,685
Permanently restricted	<u>1,282,949</u>	<u>1,282,949</u>
Total net assets	<u>10,677,774</u>	<u>10,026,185</u>
Total liabilities and net assets	<u>\$ 12,123,449</u>	<u>\$ 11,358,363</u>

CRITTENTON WOMEN'S UNION, INC.

Statements of Activities

Year Ended June 30, 2011 (with comparative totals for 2010)

	2011			2010	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
Revenue and other support:					
Program service fees	\$ 7,505,413	\$ -	\$ -	\$ 7,505,413	\$ 7,547,004
Flex fund fees	623,479	-	-	623,479	185,049
Contributions and grants	1,516,575	396,786	-	1,913,361	1,866,434
Innovation gifts	320,666	-	-	320,666	390,000
Other income	10,120	-	-	10,120	10,982
Donated materials and services	159,578	-	-	159,578	157,363
Investment income appropriated under spending policy	261,000	-	-	261,000	270,000
Net assets released from restrictions - satisfaction of restrictions	530,461	(530,461)	-	-	-
Total revenue and other support	10,927,292	(133,675)	-	10,793,617	10,426,832
Expenses:					
Program services	7,984,787	-	-	7,984,787	7,941,027
Flex fund expenses	623,479	-	-	623,479	185,049
Management and general	1,640,181	-	-	1,640,181	1,680,585
Fundraising	490,834	-	-	490,834	528,704
Total expenses	10,739,281	-	-	10,739,281	10,335,365
Change in net assets from operating activity	188,011	(133,675)	-	54,336	91,467
Nonoperating activities:					
Interest and dividends	58,926	30,305	-	89,231	108,085
Gain on investments	499,114	269,908	-	769,022	606,826
Investment income appropriated under spending policy	(181,500)	(79,500)	-	(261,000)	(270,000)
Change in net assets from nonoperating activity	376,540	220,713	-	597,253	444,911
Change in net assets	564,551	87,038	-	651,589	536,378
Net assets, beginning	5,895,551	2,847,685	1,282,949	10,026,185	9,489,807
Net assets, ending	\$ 6,460,102	\$ 2,934,723	\$ 1,282,949	\$ 10,677,774	\$ 10,026,185

CRITTENTON WOMEN'S UNION, INC.

Statement of Activities

Year Ended June 30, 2010

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenue and other support:				
Program service fees	\$ 7,547,004	\$ -	\$ -	\$ 7,547,004
Flex fund fees	185,049	-	-	185,049
Contributions and grants	1,459,534	406,900	-	1,866,434
Innovation gifts	390,000	-	-	390,000
Other income	10,982	-	-	10,982
Donated materials and services	157,363	-	-	157,363
Investment income appropriated under spending policy	270,000	-	-	270,000
Net assets released from restrictions - satisfaction of restrictions	<u>557,430</u>	<u>(557,430)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>10,577,362</u>	<u>(150,530)</u>	<u>-</u>	<u>10,426,832</u>
Expenses:				
Program services	7,941,027	-	-	7,941,027
Flex fund expenses	185,049	-	-	185,049
Management and general	1,680,585	-	-	1,680,585
Fundraising	<u>528,704</u>	<u>-</u>	<u>-</u>	<u>528,704</u>
Total expenses	<u>10,335,365</u>	<u>-</u>	<u>-</u>	<u>10,335,365</u>
Change in net assets from operating activities	<u>241,997</u>	<u>(150,530)</u>	<u>-</u>	<u>91,467</u>
Change in net assets from nonoperating activities:				
Interest and dividends	76,408	31,677	-	108,085
Gain on investments	428,979	177,847	-	606,826
Investment income appropriated under spending policy	<u>(186,960)</u>	<u>(83,040)</u>	<u>-</u>	<u>(270,000)</u>
Change in net assets from nonoperating activities	<u>318,427</u>	<u>126,484</u>	<u>-</u>	<u>444,911</u>
Change in net assets	<u>560,424</u>	<u>(24,046)</u>	<u>-</u>	<u>536,378</u>
Net assets, beginning	<u>5,335,127</u>	<u>2,871,731</u>	<u>1,282,949</u>	<u>9,489,807</u>
Net assets, ending	<u>\$ 5,895,551</u>	<u>\$ 2,847,685</u>	<u>\$ 1,282,949</u>	<u>\$ 10,026,185</u>

See accompanying notes to the financial statements.

CRITTENTON WOMEN'S UNION, INC.

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
Cash flows from operating activities:		
Change in net assets	\$ 651,589	\$ 536,378
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	303,828	318,753
Gains on investments	(769,022)	(606,826)
Change in:		
Restricted cash	114,000	-
Contracts, contributions and grants receivable	(118,276)	(416,277)
Prepaid expenses and other assets	(70,490)	8,273
Accounts payable	(168)	5,434
Accrued expenses	576,152	55,435
	<u>687,613</u>	<u>(98,830)</u>
Net cash provided by (used in) operating activities	<u>687,613</u>	<u>(98,830)</u>
Cash flows from investing activities:		
Purchases of investments	(87,833)	(108,085)
Proceeds from sale of investments	721,000	720,000
Purchases of property and equipment	(115,629)	(106,307)
	<u>517,538</u>	<u>505,608</u>
Net cash provided by investing activities	<u>517,538</u>	<u>505,608</u>
Cash flows from financing activities:		
Payments on notes payable	(462,487)	(43,228)
	<u>(462,487)</u>	<u>(43,228)</u>
Net cash used in financing activities	<u>(462,487)</u>	<u>(43,228)</u>
Net increase in cash and cash equivalents	742,664	363,550
Cash and cash equivalents, beginning	<u>1,144,001</u>	<u>780,451</u>
Cash and cash equivalents, ending	<u>\$ 1,886,665</u>	<u>\$ 1,144,001</u>
Supplemental information:		
Cash paid for interest	<u>\$ 4,469</u>	<u>\$ 32,356</u>

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Crittenton Women's Union, Inc. ("CWU") is a Boston-based, nonprofit organization that transforms the course of low-income women's lives so that they can attain economic independence and create better futures for themselves and their families.

CWU takes a unique pioneering approach, combining direct service programs, independent research, and public advocacy. Each area informs and intersects with the work of the others, fostering a flexible, dynamic and creative environment that produces measurable results.

CWU provides safe housing, caring supports, education, and training programs to more than 1,600 people annually. Its Research and Innovation Department identifies barriers to self-sufficiency, tracks outcomes, refines practices, and develops innovative program designs. CWU's Advocacy arm draws on its program knowledge and in-depth research to impact public policy and legislation.

CWU strives to transform individual lives and to achieve broad-based system change through innovation, collaboration and commitment.

A summary of the accounting policies consistently applied by CWU in the financial statements follows:

Classification of Net Assets

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CWU and changes therein are classified and reported as follows:

Unrestricted Net Assets - Assets and contributions that are not subject to donor-imposed restrictions or for which restrictions have expired. Assets related to property, plant and equipment are shown in this category unless timing or use restrictions are imposed on the use or disposition of these assets. The Board of CWU has designated a portion of the unrestricted net assets as "Board Designated net assets" for the purpose of long-term growth and strategic initiatives. In addition, the Board has designated a portion of unrestricted net assets as "Board Designated - Innovation."

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed restrictions that may or will be met by actions of CWU or the passage of time. Net assets also include accumulated unspent gains on the permanently restricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed. In some situations, the donor-imposed stipulations on all or a portion of contributed amounts are met in the same reporting period in which the contributed amount is received. In those cases, the contributed amount (to the extent that the restrictions have been met) is reported as unrestricted support.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Classification of Net Assets (Continued)

Temporarily restricted net assets are available for the following purposes at June 30:

	<i>2011</i>	<i>2010</i>
Program services	\$ 61,971	\$ 41,526
Housing expansion projects grants	2,435,359	2,589,479
Accumulated unspent gains on permanently restricted net assets	<u>437,393</u>	<u>216,680</u>
Total	<u>\$ 2,934,723</u>	<u>\$ 2,847,685</u>

Permanently Restricted Net Assets - Permanently restricted net assets are those resources subject to the donor-imposed restriction that they be maintained permanently by CWU. The donors of these resources require that the principal be invested in perpetuity and permit the income earned, including appreciation, to be used, all or in part, for unrestricted or temporarily restricted purposes.

Government Contracts

CWU receives a significant portion of its funding under federal and state contracts and grants that are subject to review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agency if expenditures are disallowed. Management is not aware of any specific disallowances.

Flex Fund Advances

Third party advances consist of contractual advances for the "Flex Funds for Families" Program received from the Massachusetts Division of Housing and Community Development.

Recognition of Contributions and Grants

Contributions are recorded as support at the time the donor makes an unconditional promise to give. The existence or absence of restrictions on the gift will determine if it should be classified as unrestricted, temporarily restricted or permanently restricted. Contributions not expected to be collected within one year are recorded at the estimated present value of future cash flows, utilizing a risk-free rate of return. Management expects most contributions and grants to be collected within the next year.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and overnight repurchase agreements with initial maturities of three months or less when purchased. CWU maintains its cash in bank deposit accounts, which, at times, may exceed the federally insured limits. CWU has not experienced any loss in such accounts. These assets are stated at cost, which approximates market value. Restricted cash represents cash required to be held as a security deposit for CWU's office space.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

CWU reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include CWU's investment accounts. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques to determine fair value). Fair value standards also require CWU to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique, as discussed below.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of CWU's financial instruments, see Note 3 - Fair Values of Financial Instruments.

Property, Plant, Equipment and Depreciation

Property, plant and equipment are recorded at cost. Donated assets are recorded at fair value determined at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets (3 – 40 years).

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

CWU records donated materials at the fair value on the date the materials are unconditionally pledged. Donated services are recorded at the fair value on the date the services are provided if the services create or enhance nonfinancial assets or the services are provided by persons possessing certain skills that would typically need to be purchased if not provided by donation.

The value of the following services is recorded as donated service revenue and expenses:

		<i>2011</i>	<i>2010</i>
City of Boston	Use of a transitional house for battered, homeless women and their children	\$ 54,000	\$ 54,000
Goodwin Procter LLP	Legal services	68,055	75,590
Citizens Energy	Oil to provide heating to the Brighton transitional housing campus	14,016	15,773
Microsoft	Computer software	11,507	-
Boston Housing Authority	Program space, administrative and custodial support for the CFO program	<u>12,000</u>	<u>12,000</u>
Total donated materials and services		<u>\$ 159,578</u>	<u>\$ 157,363</u>

Functional Allocation of Expenses

The costs of providing various programs, management and general and fundraising activities have been summarized on a functional basis in the statement of activities. Accordingly, various costs have been allocated among programs and supporting services benefited.

Income Tax Status

CWU is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from Federal and state income taxes on related income. Accordingly, no provision for income taxes is made in the financial statements.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

CWU accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. CWU has identified its tax status as a tax-exempt entity as a tax position; however, CWU has determined that such tax position does not result in an uncertainty requiring recognition. CWU is not currently under examination by any taxing jurisdictions. CWU's federal and state tax returns are generally open for examination for three years following the date filed.

Operations

The statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to program service fees, contributions, grants, special events, plant income funds received and expended, donated materials and services, as well as amounts appropriated under CWU's spending policy. Nonoperating revenue includes investment income in excess of or less than the spending policy and other nonoperating income.

Use of Estimates

In preparing the financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject CWU to concentration of credit risk consist primarily of contracts, contributions and grants receivable. Credit risk with receivables is concentrated among federal and state-sponsored programs. CWU's client base is concentrated in Massachusetts.

Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation. There was no change to net assets as a result of the reclassifications.

Subsequent Events

CWU has evaluated subsequent events through November 14, 2011, the date the Board of Directors approved and authorized the financial statements to be issued.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 2 - Investments

Investments consisted of the following at June 30:

	<i>2011</i>	<i>2010</i>
Multi-strategy equity funds	\$ 3,241,467	\$ 2,981,270
Multi-strategy bond funds	<u>1,574,566</u>	<u>1,698,908</u>
Investments	<u>\$ 4,816,033</u>	<u>\$ 4,680,178</u>

Recent market conditions have resulted in an unusually high degree of market volatility and increased the risks associated with certain investments held by CWU, which could impact the value of investments after the date of these financial statements.

Note 3 - Fair Values of Financial Instruments

CWU follows the Fair Value Measurement standards for its financial instruments. CWU investments consist of operating reserves, Board designated funds and funds which have been restricted by the donor as endowment. The investments are managed as a single diversified portfolio governed by CWU's investment policy, which sets allocation ranges for fixed income, equities and alternative investments. All investments are held in funds managed by Commonfund. Commonfund's funds are not publicly traded, therefore a readily determinable fair value for the funds is not available. CWU establishes fair value from the Net Asset Value calculated by Commonfund and validated by a review of audited reports for the Commonfund funds, verification of the fair value of marketable securities in the funds, regular review of Commonfund valuation approaches for non-marketable investments, and monitoring of each fund's activity. Commonfund Multi-Strategy Bond Fund and Multi-Strategy Equity Fund in which CWU is invested qualify to be reported as Level 2 investments.

The valuation of CWU's instruments using the fair value hierarchy consisted of the following at June 30, 2011:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Multi-strategy bond funds	\$ -	\$ 1,574,566	\$ -	\$ 1,574,566
Multi-strategy equity funds	<u>-</u>	<u>3,241,467</u>	<u>-</u>	<u>3,241,467</u>
Investments	<u>\$ -</u>	<u>\$ 4,816,033</u>	<u>\$ -</u>	<u>\$ 4,816,033</u>

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 3 - Fair Values of Financial Measurements (Continued)

The valuation of CWU's instruments using the fair value hierarchy consisted of the following at June 30, 2010:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Multi-strategy bond funds	\$ -	\$ 1,698,908	\$ -	\$ 1,698,908
Multi-strategy equity funds	-	2,981,270	-	2,981,270
	-	2,981,270	-	2,981,270
Investments	\$ -	\$ 4,680,178	\$ -	\$ 4,680,178

Investments not considered Level 1 are categorized as Level 2 instruments when CWU has the ability to redeem its investment in the entity at net asset value per share at year-end or within 90 days of year-end. Investments not considered Level 1 are categorized as Level 3 instruments when CWU cannot redeem its investment within 90 days of year-end. A summary of the significant categories of such investments utilizing the net asset value practical expedient and their attributes are as follows:

	<i>Fair Value</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency (if Currently Eligible)</i>	<i>Redemption Notice Period</i>
Multi-strategy equity funds	\$ 2,981,270	\$ -	monthly	5 business days
Multi-strategy bond funds	1,698,908	-	monthly	5 business days
	\$ 4,680,178	\$ -		

Multi-strategy equity funds – includes investments in funds of funds that invest primarily in U.S. common stocks, and the funds are designed to give the managers the flexibility to invest within their area of expertise. At June 30, 2011, the redemption period for these investments was at month-end with a five business day notice.

Multi-strategy bond funds – includes investments in funds of funds that invest primarily in U.S. debt securities, and the funds are designed to give the managers the flexibility to invest within their area of expertise. At June 30, 2011, the redemption period for these investments was at month-end with a five business day notice.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 4 - Property, Plant and Equipment

Property, plant and equipment consisted of the following at June 30:

	<i>2011</i>	<i>2010</i>
Land	\$ 20,000	\$ 20,000
Buildings and improvements	6,912,486	6,919,807
Furniture and equipment	746,848	641,393
Construction in Progress	17,497	-
Vehicles	69,920	69,920
	<hr/>	<hr/>
	7,766,751	7,651,120
Less: accumulated depreciation	3,588,666	3,284,838
	<hr/>	<hr/>
Property, plant and equipment, net	\$ 4,178,085	\$ 4,366,282

CWU disposed of approximately \$128,547 of fully depreciated capital assets during the year ended June 30, 2010.

Note 5 - Note Payable and Line of Credit

CWU's loan required monthly principal and interest payments, based on a fifteen-year amortization period with remaining amounts due and payable on December 31, 2012. Interest was computed at the rate of 6.5%. The loan was secured by a mortgage on CWU's Ten Perthshire Road property. The loan arrangement contained debt covenants requiring CWU to maintain certain financial statement ratios. On August 3, 2010, CWU repaid the outstanding balance due on the loan in full.

CWU has entered into a two-year revolving line-of-credit agreement with a bank which provides for borrowings up to \$800,000 for working capital support. Interest is at borrower's choice of 30, 60 or 90 day LIBOR plus 0.75%, or Prime plus 0%. The line is secured with investments with a market value of approximately \$1,000,000. At June 30 2011 and 2010, CWU had no outstanding balance on the line of credit.

Note 6 - Lease Obligations

CWU leases various facilities under operating lease arrangements which expire at various dates through fiscal year 2015. In the ordinary course of business, CWU renews leases on a yearly basis, based on community housing program needs. CWU leases program space as tenant-at-will from HCI (see Note 7). Most of these lease commitments contain provisions for termination should CWU experience reduced or eliminated funding.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 6 - Lease Obligations (Continued)

Total rent expense amounted to approximately \$1,586,000 and \$1,616,000 for the years ended June 30, 2011 and 2010, respectively.

Future minimum lease payments under these leases are as follows:

2012	\$	1,268,868
2013		392,754
2014		386,269
2015		<u>127,661</u>
	\$	<u><u>2,175,552</u></u>

Note 7 - Related Party Transactions

Horizons Collaborative, Inc. (HCI) was formed on August 10, 2000 under the laws of the Commonwealth of Massachusetts as a nonprofit corporation in order to improve the housing and general living conditions of primarily low and moderate income battered and homeless women and their children. CWU has occupancy as the sole tenant of HCI's only building which consists of eleven affordable housing units. HCI is sponsored by Crittenton Women's Union and the Caleb Foundation, who each appoint three members to the Board of Directors with the seventh member of the Board being independently selected by the HCI Board. CWU is the managing agent under a management agreement with HCI and the Caleb Foundation. CWU provides accounting, management and maintenance services to HCI. CWU is not a guarantor of any HCI debt. HCI pays a partner's overhead fee to both CWU and the Caleb Foundation. Both CWU and Caleb waived the overhead fee in both 2011 and 2010.

Revenue and expenses, as a result of transactions with HCI, for the years ended June 30, are as follows:

	<i>2011</i>	<i>2010</i>
Income earned for:		
Building management staff	\$ 38,700	\$ 32,400
Accounting services	7,200	7,200
Expenses:		
Rent	\$ 43,998	\$ 88,000

Accounts payable due to HCI as of June 30, 2011 and 2010 totaled \$0 and \$9,324, respectively. Accounts receivable due from HCI as of June 30, 2011 and 2010 totaled \$6,725 and \$3,300, respectively.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 8 - Retirement Benefits

CWU maintains a defined contribution pension plan (the "Plan") for all eligible employees. Eligibility is based on length of service. In 2010, the Board voted to reinstate an employer funded contribution scaled to the year's operating results, which represented 3% of regular pay for eligible employees up to a maximum of \$1,500. In July 2011, the Board voted to suspend contributions. Expenses under this plan were approximately \$2,000 and \$60,000 for the years ended June 30, 2011 and 2010, respectively.

In addition, CWU maintains a tax deferred annuity plan which is funded entirely by employee contributions.

Note 9 - Net Assets and Endowment Matters

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at June 30, 2011 and 2010:

	<i>2011</i>				
	<i>Unrestricted Net Assets</i>	<i>Unrestricted Board Designated</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets at beginning of year	\$ 143,832	\$ 3,036,717	\$ 216,680	\$ 1,282,949	\$ 4,680,178
Investment returns:					
Interest and dividends	2,952	54,576	30,305	-	87,833
Net realized and unrealized gains (losses)	25,842	473,272	269,908	-	769,022
Total investment returns	28,794	527,848	300,213	-	856,855
Expenditures:					
Amounts appropriated under endowment spending policy for operations	261,000	(181,500)	(79,500)	-	-
Other expenditures:					
Operations	(340,501)	(380,499)	-	-	(721,000)
Net investment returns and expenditures	(50,707)	(34,151)	220,713	-	135,855
Endowment assets and those functioning as endowment assets at end of year	\$ 93,125	\$ 3,002,566	\$ 437,393	\$ 1,282,949	\$ 4,816,033

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

	2010				
	<i>Unrestricted Net Assets</i>	<i>Unrestricted Board Designated</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets at beginning of year	\$ 515,216	\$ 2,796,906	\$ 90,196	\$ 1,282,949	\$ 4,685,267
Investment returns:					
Interest and dividends	11,886	64,522	31,677	-	108,085
Net realized and unrealized gains (losses)	66,730	362,249	177,847	-	606,826
Total investment returns	78,616	426,771	209,524	-	714,911
Expenditures:					
Amounts appropriated under endowment spending policy for operations	270,000	(186,960)	(83,040)	-	-
Other expenditures:					
Operations	(720,000)	-	-	-	(720,000)
Net investment returns and expenditures	(371,384)	239,811	126,484	-	(5,089)
Endowment assets and those functioning as endowment assets at end of year	\$ 143,832	\$ 3,036,717	\$ 216,680	\$ 1,282,949	\$ 4,680,178

The investment return appropriated from temporarily restricted to unrestricted for operations was \$79,500 and \$83,040 for the years ended June 30, 2011 and 2010, respectively.

Endowment

CWU's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of CWU has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) signed into law in the Commonwealth of Massachusetts, effective for fiscal year ended June 30, 2009 and thereafter, requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CWU classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CWU in a manner consistent with the standard of prudence prescribed by UPMIFA.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, CWU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of CWU and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of CWU
- (7) The investment policies of CWU

Spending Policy

CWU currently allocates all interest, dividends and realized gains on investments to unrestricted net assets to be used for operations. CWU has interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Board of Directors and expended. State law allows the Board of Directors to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering CWU's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends and general economic conditions subject to any donor stipulations. For the years ended June 30, 2011 and 2010, the Board of Directors maintained the spending rule to appropriate 5% of a three-year moving average of the market value of the assets related to the Permanently Restricted Funds to be used for operations. Investment returns in excess of those appropriated by applying the spending rule on permanently restricted net assets are reinvested and increase temporarily restricted net assets. In addition, CWU follows a spending policy based on 5% of a three year rolling market value for its other invested funds.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires CWU to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in unrestricted net assets. There were no such deficiencies as of June 30, 2011 or 2010.

Return Objectives and Risk Parameters

CWU's investment portfolio is managed to provide for the long-term support of CWU. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CWU relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CWU targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, CWU seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 10 - Flexible Funds Subsidy Program

The Flexible Funds Subsidy program is a source of funding provided by the Commonwealth of Massachusetts to facilitate housing placement for Emergency Assistance (EA) eligible families. The program is funded by the Department of Housing and Community Development and is administered by Crittenton Women's Union and other EA providers.

Flexible Funds Subsidy Program revenue totaling \$623,479 and \$185,049 for the years ended June 30, 2011 and 2010, respectively, represents the revenue earned by CWU on behalf of families that have been approved to participate in the Flexible Funds Program. Flexible Funds expenses totaling \$623,479 and \$185,049 for the years ended June 30, 2011 and 2010, respectively, represents amounts paid on behalf of these clients. At June 30, 2011 and 2010, advances received by CWU related to the program totaled \$647,894 and \$98,446, respectively.

Note 11 - Contingencies

CWU is contingently liable for approximately \$3.2 million granted in prior years by the Commonwealth of Massachusetts, the City of Boston, and the Federal Home Loan Bank of Boston associated with the renovation of its sixty-two units of transitional and affordable housing at Ten Perthshire Road and seven units of transitional housing for victims of domestic violence at an undisclosed location. Should CWU not be able to honor the restricted use provisions over the terms of the arrangements, amounts presently recorded as temporarily restricted net assets would need to be recognized as a liability in the financial statements.

The terms restricting the use of CWU's facility under these arrangements run for a period of fifteen or thirty years; after this period, the use of the facility will no longer be restricted. For accounting purposes, the value of the grant is being amortized and released from temporarily restricted to unrestricted in accordance with the terms of the mortgages. In order to secure and enforce these restrictions, the funding entities have recorded a second mortgage interest in CWU's primary operating facility for the entire value of the funds provided, in addition to recording land use restrictions covering the portion of the facility which directly benefited from the funding. One of the land use restrictions contains a purchase option allowing the largest funder the right to acquire up to a ninety-nine year leasehold interest in the portion of the facility directly related to the "affordable" housing units for its then fair value plus any reduction in value relative to the remaining portion of the facility, if impacted by the continued operation of the housing units. In addition, this document provides for a right of first refusal to purchase the facility under certain circumstances.

CRITTENTON WOMEN'S UNION, INC.

Notes to Financial Statements

Note 11 - Contingencies (Continued)

CWU has a contingent liability of \$300,000 to Commonfund Realty Investors, LLP (CRI). This amount relates to an unfunded commitment on an investment in real estate funds. Management believes it is highly unlikely that CRI will seek funding of this commitment and CRI has provided assurances to CWU that it has no plans to do so. Additionally, it is not certain whether CRI has the right to call the commitment and CWU would challenge any such funding call.

CWU is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the CWU.